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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS NINTH SESSION

(26-30 April 1993)

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Introduction

1. The Programme and Budget Committee held its ninth session at UNIDO Headquarters, Vienna International Centre, from 26 to 29 April 1993. The following 23 members of the Committee participated in the session: Algeria, Austria, Brazil, Bulgaria, China, Colombia, Cuba, Egypt, France, Germany, India, Italy, Japan, Mexico, Netherlands, Nigeria, Philippines, Poland, Qatar, Russian Federation, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

2. The following 48 Members of UNIDO also attended the session: Argentina, Australia, Belarus, Belgium, Canada, Chile, Costa Rica, Croatia, Democratic People's Republic of Korea, Denmark, Ecuador, Finland, Greece, Hungary, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Jordan, Kuwait, Lebanon, Luxembourg, Morocco, Namibia, Nicaragua, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Portugal, Republic of Korea, Romania, Saudi Arabia, Spain, Sudan, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, Uruguay, Venezuela, Viet Nam, Yemen, Zimbabwe.

3. The United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization and the International Organization for Migration were represented.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation J. Y. Jamal (Qatar) as Chairman; L. Carrillo (Cuba), Y. V. Zaitsev (Russian Federation), and C. Hulse (United Kingdom of Great Britain and Northern Ireland) as Vice-Chairmen; and T. M. El Kouny (Egypt) as Rapporteur.

5. The agenda for the ninth session as adopted by the Committee is contained in document PBC.9/1. Following the adoption of the agenda, the Director-General made an introductory statement, which was duly taken into account by the Committee in the consideration of the relevant agenda items.

6. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

7. The report contains the conclusions reached by the Committee. Statements made in connection with the adoption of conclusions are contained in annex I to the report. Annex II contains a list of documents submitted to the Committee at its current session.

8. The following conclusions of the Committee contain recommendations that call for action by the Board at its eleventh session or are of relevance to the work of that session:

Conclusion

Subject

- | | |
|------|--|
| 93/2 | Financial situation of UNIDO |
| 93/3 | Interim financial performance report and programme performance report for the biennium 1992-1993 |
| 93/4 | Programme and budgets, 1994-1995 |
| 93/5 | Scale of assessments for apportionment of the regular budget expenses |
| 93/6 | Working Capital Fund for the biennium 1994-1995 |
| 93/7 | Industrial Development Fund |
| 93/8 | Recommendations for appointment of an external auditor |
| 93/9 | UNIDO Country Director programme |

I. ORGANIZATIONAL MATTERS

9. On 26 April, the Committee considered a proposal by the Chairman to optimize the utilization of available conference-servicing resources and adopted the following conclusion:

Conclusion 93/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its ninth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Vice-Chairman C. Hulse (United Kingdom of Great Britain and Northern Ireland) to chair those consultations.

II. FINANCIAL SITUATION OF UNIDO

11. On 26 April, the Committee considered a report by the Director-General on the financial situation of UNIDO (PBC.9/8) and an update thereto (PBC.9/CRP.2).

12. On 29 April, after consideration of a draft conclusion on the financial situation of UNIDO submitted by the Chairman (PBC.9/L.6), the Committee adopted the following conclusion:

Conclusion 93/2

The Programme and Budget Committee, having considered the financial situation of UNIDO, recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board,

"(a) Takes note of the report of the Director-General on the financial situation of UNIDO (IDB.11/6-PBC.9/8) containing information concerning the status of assessed contributions, advances to the Working Capital Fund, cash flow estimates, regular budget performance, revised appropriations for 1992-1993 and regular and operational budget plans of action;

"(b) Expresses deep concern at the non-payment and late payment by some Member States, in particular the main contributors, of assessed contributions and of advances to the Working Capital Fund;

"(c) Urges those Member States which have not yet paid their assessed regular budget contributions, including advances to the Working Capital Fund, for the bienniums 1986-1987 to 1992-1993 to do so without delay;

"(d) Requests the Director-General to give particular attention to the substantive areas of the Organization and in doing so to exert his utmost to minimize administrative and support expenses;

"(e) Recommends to the General Conference the approval of the adjustments to the 1992-1993 scale of assessments as described in paragraphs 9 to 13 of the report on the financial situation of UNIDO (IDB.11/6-PBC.9/8);

"(f) Requests the Director-General to consult with the Czech Republic and Slovakia to pay, on a provisional basis, mutually agreed estimates in accordance with document IDB.11/6-PBC.9/8, paragraph 14;

"(g) Recommends to the General Conference that it approve at its fifth session the temporary suspension of financial regulations 4.2 (b) and 4.2 (c), with respect to the 1990-1991 biennium so as to allow the non-budgetary (temporary) allocation of the unutilized balances of \$8,746,822 as reported in document PBC.9/7, statement II.B, to strengthen the statutory cash resource base of the Organization."

III. INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

13. On 26 April, the Committee considered the interim financial performance report for the biennium 1992-1993 submitted by the Director-General (PBC.9/7 and Corr.1) and the Annual Report of UNIDO, 1992 (PBC.9/10).

14. On 29 April, after consideration of an oral proposal by the Chairman, the Committee adopted the following conclusion:

Conclusion 93/3

The Programme and Budget Committee took note of the interim financial performance report for the biennium 1992-1993 submitted by the Director-General (PBC.9/7 and Corr.1) and the Annual Report of UNIDO, 1992 (PBC.9/10).

IV. PROGRAMME AND BUDGETS, 1994-1995

15. On 27 April, the Committee considered the proposals of the Director-General for the programme and budgets, 1994-1995 (PBC.9/2) and a note by the Director-General on the implications of the withdrawal of Canada (PBC.9/11).

16. On 29 April, after consideration of a draft conclusion on the programme and budgets, 1994-1995 submitted by the Chairman (PBC.9/L.5), the Committee adopted the following conclusion:

Conclusion 93/4

The Programme and Budget Committee:

(a) Considered the proposals of the Director-General for the programme of work 1994-1995 and the corresponding total resource requirements by major programmes to be financed from the regular and operational budgets, as contained in document PBC.9/2;

(b) Noted that the exchange rate applied in those estimates was US\$ 1 = AS 12.90 for the regular and operational budgets and that those estimates would be adjusted in accordance with financial regulation 5.1, paragraph (d), prior to the end of the fifth session of the General Conference;

(c) Noted that the inflation rates would also be updated prior to the end of the fifth session of the General Conference;

(d) Recommended that the Industrial Development Board adopt the net resource requirements for the activities to be financed from the regular budget not exceeding an amount of \$197,451,500 at an exchange rate of US\$ 1 = AS 12.90;

(e) Requested the Director-General to revise accordingly his programme and budget proposals for the 1994-1995 biennium, as set out in document PBC.9/2, within the ceiling set in paragraph (d) above, representing a 4.25 per cent budget reduction and to submit those to a resumed ninth session of the Programme and Budget Committee, through:

(i) A review and adjustment of the revaluation of at least \$1.5 million;

(ii) Reducing the budget estimates by approximately \$3 million by applying a vacancy factor of 7 per cent to Professional-level posts and effecting other economies, including, inter alia, measures in line with the recommendations of the External Auditor, and programme budget adjustments;

- (iii) A downward adjustment of the inflation estimates of approximately \$4.3 million;

(f) Proposed the continued application of the split currency system of assessments in the proportions of 12 per cent in United States dollars of the appropriation expressed at US\$ 1 = AS 12.90 and the balance in Austrian schillings;

(g) Took note of the proposals for the operational budget as contained in document PBC.9/2 and requested the Director-General, in the light of the views expressed by the members of the Committee at its ninth session and the updated information now available, to revise his proposals and to submit them to the resumed ninth session of the Programme and Budget Committee;

(h) Also requested the Director-General to convene a resumed ninth session of the Programme and Budget Committee on 28 June 1993 for the purpose of considering the revised proposals for the programme and budgets, 1994-1995.

V. SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES

17. On 27 April, the Committee considered a note by the Secretariat on the scale of assessments for the fiscal period 1994-1995 (PBC.9/5).

18. On 29 April, after consideration of a draft conclusion on the scale of assessments for apportionment of the regular budget expenses submitted by the Chairman (PBC.9/L.8), the Committee, after introduction of an amendment by the delegation of the Philippines, adopted the following conclusion:

Conclusion 93/5

The Programme and Budget Committee:

(a) Took note of document PBC.9/5 on the scale of assessments for the fiscal years 1994-1995;

(b) Expressed its regrets as to the decision of the Government of Canada to withdraw from UNIDO and, at the same time, expressed the hope that the said Government would reconsider its decision in the near future;

(c) Reiterated the need to preserve the capacity of the Organization to cope with its mandates;

(d) Considered the information contained in document PBC.9/5, and requested the Director-General to submit to the eleventh session of the Industrial Development Board a scale of assessments for regular budget expenditures for 1994-1995 calculated on the basis of the membership of the Organization in that biennium;

(e) Proposed to the Industrial Development Board that it recommend to the General Conference the establishment of a scale of assessments for the biennium 1994-1995, based on the scale most recently employed by the United Nations, to be adjusted to the membership of UNIDO.

VI. WORKING CAPITAL FUND FOR THE BIENNIUM 1994-1995

19. On 27 April the Committee considered proposals by the Director-General on the Working Capital Fund for the biennium 1994-1995 (PBC.9/3) and a report by the Director-General on the financial situation of UNIDO containing the status of advances to the Working Capital Fund as of 28 February 1993 (PBC.9/8, annex II).

20. On 29 April, after consideration of a draft conclusion on the Working Capital Fund for the biennium 1994-1995 submitted by the Chairman (PBC.9/L.1), the Committee adopted the following conclusion:

Conclusion 93/6

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the proposals by the Director-General on the Working Capital Fund for the biennium 1994-1995 as contained in document PBC.9/3;

"(b) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 1994-1995 biennium remain the same as for the 1992-1993 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

"(c) Urges Member States to pay their outstanding assessed contributions as soon as possible to facilitate reimbursement to the Working Capital Fund."

VII. INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

21. On 27 April the Committee considered a report by the Director-General on the estimated resource level and programme for 1994 and 1995 for the Industrial Development Fund (IDF) (PBC.9/4), the information contained in the Annual Report of UNIDO, 1992, on the nature of projects financed from IDF (PBC.9/10, chap. III, paras. 129-139 and appendix G) and a conference room paper providing lists of projects approved under IDF (PBC.9/CRP.1).

22. On 29 April, after consideration of a draft conclusion on the Industrial Development Fund submitted by the Chairman (PBC.9/L.2), the Committee adopted the following conclusion:

Conclusion 93/7

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls General Conference decision GC.4/Dec.21 on the Industrial Development Fund;

"(b) Takes note of the report of the Director-General on the Industrial Development Fund (IDF) contained in document

IDB.11/4-PBC.9/4 and the programming thrust for 1994-1995 proposed in chapter II of that document;

"(c) Decides to delegate authority to the Director-General to approve projects for financing under the Fund in 1994-1995 in accordance with the priority areas of the draft medium-term plan, 1994-1999 (IDB.10/5-PBC.8/10);

"(d) With reference to financial rule 106.11 and in order to strengthen the role of IDF as a programming mechanism allowing programming flexibility, urges all donor Governments to provide part of their contributions to the general-purpose convertible segment of the Fund so that a minimum annual level of \$10 million may be achieved as soon as possible;

"(e) Encourages Member States to consider providing umbrella contributions for financing preparatory assistance activities of large-scale projects and programmes (IDB.10/2-PBC.8/2, para. 10) and/or as freely programmable contributions towards selected medium-term programme frameworks;

"(f) Encourages Member States to revise their IDF pledging policies to ensure that the desirable annual funding level of \$50 million be reached as soon as possible."

VIII. RECOMMENDATIONS FOR APPOINTMENT OF AN EXTERNAL AUDITOR

23. On 27 April the Committee considered a note by the Secretariat on recommendations for appointment of an external auditor (PBC.9/12).

24. On 29 April, after consideration of a draft conclusion on the recommendations for appointment of an external auditor submitted by the Chairman (PBC.9/L.4), the Committee adopted the following conclusion:

Conclusion 93/8

The Programme and Budget Committee:

(a) Took note of the information contained in document PBC.9/12 concerning recommendations for appointment of an external auditor;

(b) Recommended to the Industrial Development Board to propose to the General Conference the appointment of an external auditor for UNIDO for a period of two years beginning on 1 July 1994, under the terms of reference specified in the Financial Regulations of UNIDO;

(c) Invited all Member States interested in providing the services of an external auditor to inform the Director-General of such interest by 31 May 1993, so that he could bring it to the attention of the Board at its eleventh session;

(d) Expressed its appreciation to the Senior President of the Court of Audit of Belgium and his staff for their excellent

work and continuous efforts to improve the administration and management of the Organization during his tenure of office.

IX. UNIDO COUNTRY DIRECTOR PROGRAMME

25. On 27 April, the Committee considered a report by the Director-General on the financial situation of the UNIDO Country Director programme (PBC.9/9).

26. On 29 April, after consideration of a draft conclusion on the UNIDO Country Director programme submitted by the Chairman (PBC.9/L.7), the Committee adopted the following conclusion:

Conclusion 93/9

The Programme and Budget Committee:

(a) Recalled Industrial Development Board decision IDB.10/Dec.11 on the UNIDO Country Director (UCD) programme, as well as General Conference resolution GC.4/Res.4 on the same subject;

(b) Took note of the report by the Director-General on the financial situation of the UCD programme (PBC.9/9), in particular the considerations concerning the changing role and orientation of UNIDO's field presence and the different financial components required for funding such field presence;

(c) Emphasized the request in paragraph (g) of Board decision IDB.10/Dec.11 that the Director-General continue his efforts to improve the quality of the staff recruited to serve in UCD posts;

(d) Noted further the ongoing discussion on the restructuring of a unified United Nations field representation system, in particular United Nations General Assembly resolution 47/199;

(e) Appreciated highly the efforts of the United Nations Development Programme (UNDP) to rephase the sectoral support allocation for the fifth programming cycle, specifically increasing the amount of the allocation for the programme for 1992 and 1993;

(f) Considered that the achievement of the target set in Board decision IDB.8/Dec.14, or at least maintaining the present number of UCD posts, required, as a matter of urgency, financing from a combination of sources, inter alia, from UNDP funds, voluntary contributions and the UNIDO operational budget;

(g) Requested the Director-General to continue negotiations with UNDP on the most appropriate financing arrangement, bearing in mind the desire to increase or at least maintain the present number of UCD posts for the fifth programming cycle;

(h) Considered that the role of the UCDs should be defined as precisely as possible and the programme planned in full harmony with the new arrangements for a unified United Nations field representation;

(i) Requested the Director-General to prepare proposals for a programme framework for field representation as a basis for negotiating extrabudgetary financing as proposed in paragraph 28 of document PBC.9/9 in the light of the outcome of current discussions in the United Nations General Assembly, including possible redeployment of headquarters staff to the field to maintain the current level of UCDs;

(j) Invited the Governing Council of UNDP at its forty-first session (1994) to continue the financial support to the UCD programme in view of the importance attributed by the developing countries to that programme;

(k) Reiterated its appeal to Member States to provide new and additional voluntary contributions to the UCD programme;

(l) Called upon Member States to provide resources to the field representation programme and invited countries other than least developed countries hosting UCD offices to participate on a voluntary basis in the financing of local costs;

(m) Requested the Director-General to present detailed information on the UCD model office which has its local costs financed from the indicative planning figure (IPF) of the host country.

X. COMPUTERIZATION PROGRAMME OF UNIDO

27. On 27 April, the Committee considered a report by the Director-General on the computerization programme of UNIDO (PBC.9/6).

XI. DATE OF THE TENTH SESSION OF THE COMMITTEE

28. On 29 April the Committee, in agreement with a proposal of the Chairman, adopted the following conclusion:

Conclusion 93/10

The Programme and Budget Committee decided to hold its tenth session within the period 20 to 24 June 1994.

XII. ADOPTION OF THE REPORT AND SUSPENSION OF THE NINTH SESSION

29. On 29 April the Committee adopted the draft report of its ninth session (PBC.9/L.3) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

30. On 29 April at 4.40 p.m. the ninth session of the Committee was suspended, to be resumed on 28 June 1993 for the consideration of the revised programme and budgets, 1994-1995 (see conclusion 93/4).

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains statements of principle delivered by delegations in connection with the adoption of conclusions at the Programme and Budget Committee during its ninth session. These statements have been included at the request of the delegations concerned and as agreed to by the Chairman.

Financial situation of UNIDO (cf. chap. II)

2. In connection with the adoption of conclusion 93/2, the delegation of the United States of America stated that, while not blocking consensus, they had to disassociate from it, since the repeated suspension of financial regulations, even though called "temporary" on each occasion, was becoming a regular management practice which was unsound. The delegation added that this disassociation from the consensus in no way implied any lack of confidence in or lack of support for the newly-elected Director-General. The United States Government was hopeful that, under his leadership, the constructive spirit of cooperation which had prevailed at the current session would continue to mark UNIDO's deliberations in the future on the full range of urgent issues facing the Organization.

Programme and budgets, 1994-1995 (cf. chap. IV)

3. In connection with the adoption of conclusion 93/4, the delegation of India stated that it had always been of the principle position - which indeed was the position of the Asian Group - that the budget of this important United Nations organization should be growth-oriented. For that reason, the delegation had supported option 4 in document PBC.9/11. The delegation was therefore disappointed with the conclusion which did not meet the expectations of the developing world, was not good for the Organization and did not project the image of a vibrant UNIDO, willing and able to help the developing countries in their industrialization efforts. While not wishing to block the consensus, the delegation would carefully follow the process of revision of the budget to ensure that programme activities did not suffer, and would reserve its right to go back to other options, if required.

4. The delegation of the Islamic Republic of Iran endorsed the position of the delegation of India.

Scale of assessments for apportionment of the regular budget expenses (cf. chap. V)

5. In connection with the adoption of conclusion 93/5, the delegation of Ukraine stated that its Government could not agree with the planned increase in its assessment from 1.17 to 1.99 per cent. At the forty-seventh session of the United Nations General Assembly, a new scale of assessed contributions to that Organization's regular budget was adopted which took into account the redistribution of the contribution by the former Union of Soviet Socialist Republics. The

decisions adopted led to an increase in the Ukrainian assessment by 58 per cent (from 1.18 to 1.87 per cent). When drafted, the fundamental principles and criteria used to determine the size of a particular country's assessment were not taken into consideration. The decision to increase the size of the assessment coincided with an extremely complex period in the history of Ukraine, which was experiencing huge economic difficulties involved in the formation of an independent State and the introduction of far-reaching political and economic reforms, and which was bearing the astronomical cost of eliminating the consequences of the Chernobyl disaster. The Government of Ukraine, in a recent letter to the Secretary-General of the United Nations, had stated that, in its subsequent payments to the United Nations regular budget, Ukraine intended to be guided by the financial obligations devolving from the earlier established scale of assessments approved by consensus in resolution 46/221 of the General Assembly. Those data used to be submitted by the State Statistical Committee of the former Soviet Union following the appropriate processing and correction aimed at maintaining, by means of generalized purchasing power figures, the image of the Soviet Union as an industrially developed super-Power with a high standard of living. It was flattering to be the ninth largest contributor to the UNIDO budget, followed by Australia, Belgium, Netherlands, Saudi Arabia, Switzerland and Sweden. Concurrently, the size of its assessment of almost 2 per cent was viewed by the Government of Ukraine as historical nonsense, especially when for the second year running it was not even in a position for the above-mentioned reasons to pay its fixed assessment at its former level. Furthermore, it considered that that decision undermined seriously the basis of its full-fledged participation in the work of UNIDO.

6. The delegation of the Islamic Republic of Iran stated that it had many times, during the recent General Assembly sessions, made reservations on its scale of assessments because the statistics and information provided by the International Monetary Fund (IMF) according to which the scale was determined by the Committee on Contributions of the United Nations, were not correct. The delegation also stated that, in continuation of its post-war economic reforms, its Government had announced a single rate of exchange (effective 21 March 1993). That rate along with the latest amount of the population, which was over 60 million, and their implications for the gross national product and annual national income and expenditures had been submitted to the United Nations and its related financial institutions for due reconsideration and recalculation of the scale of assessments for the Islamic Republic of Iran. Therefore, the delegation had reservations in accepting the scale ascribed to that country for the 1994-1995 biennium with the understanding that, when a new scale of assessments was adopted for that country by the General Assembly, appropriate adjustments should be made with regard to its scale of assessment for the UNIDO regular budget. The delegation regretted that, with the withdrawal of Canada from UNIDO, a heavy financial burden had

been imposed on other Member States, especially the developing countries, by adding a substantial increase to their scale of assessment. For that reason, and for any level that the regular budget for 1994-1995 was agreed upon, the Government would only pay its assessed contribution to the next regular budget according to its scale of assessments set for the 1992-1993 biennium, namely 0.76 per cent.

7. The delegation of Argentina wished to express its concern regarding the economic and financial effects arising from both draft conclusions. As a consequence and as reflected in the information note circulated by the Secretariat on 29 April 1993, the delegation found itself in a situation where, for the 1994-1995 biennium, its country would have to contribute approximately \$200,000 more than it had contributed in the previous biennium. The delegation did not wish to enter into technical details, but it appeared evident that that annual increase, which amounted to more than \$100,000, exceeded any inflation adjustment. Its Government was not in a position to contribute such additional amounts. The delegation was aware of the financial difficulties that the Organization was encountering and that the new Director-General had undertaken to put it on a sound financial footing. While supporting that objective, the Government of Argentina was committed to a drastic programme of economic adjustment that implied control of public expenditure and included corresponding instructions to not agree to increases in contributions to international agencies. For that reason, the Argentine delegation wished to reserve its position relating to the conclusions that had just been adopted.

8. The delegation of Turkey expressed its reservation with regard to the new scale of assessments relating to the contribution of Turkey to the UNIDO budget. The position of the Government of Turkey would be clarified at the forthcoming session of the Industrial Development Board.

Recommendations for appointment of an external auditor
(cf. chap. VIII)

9. In connection with the adoption of conclusion 93/8, the delegation of India formally presented the candidature of the Comptroller and Auditor General of India for the assignment of

External Auditor of UNIDO for 1994-1996. The delegation noted that, since 1986, that post had continuously been held by the developed countries. Within the overall United Nations system nearly two thirds of external audit work was being handled by a small group of developed countries. It would therefore be befitting for the External Auditor to be appointed from among the developing countries having the requisite expertise and capability. The organization of the Comptroller and Auditor General of India had all the necessary technical expertise, capability and experience to carry out this assignment to the full satisfaction of UNIDO and the Member States. It had had over 100 years of experience, over 10,000 well-trained officials and a wide and deep range of experience in auditing a large number of government, quasi-government and public sector enterprises. In the international field, that organization had a long record of participation in the work of international and regional associations of supreme audit institutions and moreover had provided training assistance to over 700 officials from more than 40 countries. The Comptroller and Auditor General of India had been appointed a member of the United Nations Board of Auditors for the term 1993-1996, which could provide a useful link with the auditing process of the United Nations system. The delegation hoped that the Director-General and the Industrial Development Board at its forthcoming session would take those facts into account when making the recommendations on the appointment of External Auditor of UNIDO.

10. Speaking on behalf of the Group of 77, the delegation of the Republic of Korea stated that the Group of 77 had considered that item carefully and noted that the assignment of External Auditor of UNIDO had continuously been held since 1986 by a representative from the developed countries. In the overall United Nations system, they understood, over 60 per cent of all external audit work was being carried out by auditors from a small group of developed countries. That imbalance needed to be corrected, particularly as the necessary expertise and capability for undertaking such tasks was also available in the developing countries. The Group therefore considered that the External Auditor of UNIDO for 1994-1996 should be appointed from among the developing countries. In that context the Group welcomed the candidature of the Auditor General of India and extended its general support to it.

Annex II

LIST OF DOCUMENTS SUBMITTED TO THE NINTH SESSION

Symbol	Agenda item	Title
PBC.9/1	3	Provisional agenda
PBC.9/1/Add.1	3	Annotated provisional agenda
PBC.9/2 IDB.11/2	6	Programme and budgets, 1994-1995. Proposals of the Director-General
PBC.9/3 IDB.11/3	8	Working Capital Fund for the biennium 1994-1995. Proposals by the Director-General
PBC.9/4 IDB.11/4	9	Industrial Development Fund and other voluntary contributions. Estimated resource level and programme for 1994-1995. Report by the Director-General
PBC.9/5 IDB.11/5	7	Scale of assessments for the apportionment of regular budget expenses. Scale of assessments for the fiscal period 1994-1995. Note by the Secretariat
PBC.9/6	12	Computerization programme of UNIDO. Report by the Director-General
PBC.9/7 and Corr.1	5	Interim financial performance report and programme performance report for the biennium 1992-1993. Interim financial performance report for the biennium 1992-1993. Submitted by the Director-General
PBC.9/8 IDB.11/6	4	Financial situation of UNIDO. Report by the Director-General
PBC.9/9 IDB.11/7	11	The financial situation of the UNIDO Country Director programme. Report by the Director-General
PBC.9/10 IDB.11/10	5	Annual Report of UNIDO, 1992
PBC.9/11	6	Implications of the withdrawal of Canada. Note by the Director-General
PBC.9/12	10	Recommendations for appointment of an external auditor. Note by the Secretariat
* * *		
PBC.9/CRP.1	9	Lists of projects approved under the Industrial Development Fund (IDF) in 1992. Prepared by the Secretariat
PBC.9/CRP.2	4	Financial situation of UNIDO. Update of document PBC.9/8. Report by the Director-General
PBC.9/CRP.3	-	List of participants



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Agenda item 6

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS NINTH SESSION

Addendum

Resumed ninth session (28 June 1993)

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Introduction

1. The Programme and Budget Committee resumed its ninth session at UNIDO Headquarters, Vienna International Centre, on 28 June 1993 under the chairmanship of J. Y. Jamal (Qatar).
2. In accordance with its conclusion 93/4, paragraph (h), the Committee resumed consideration of item 6 of the agenda of its ninth session, i.e. programme and budgets, 1994-1995.
3. The following 23 members of the Committee participated in the resumed session: Algeria, Austria, Brazil, Bulgaria, China, Colombia, Cuba,

Egypt, France, Germany, India, Italy, Japan, Mexico, Netherlands, Nigeria, Philippines, Poland, Qatar, Russian Federation, Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

4. The following 54 Member States of UNIDO also attended the session: Argentina, Australia, Belarus, Belgium, Bolivia, Cameroon, Canada, Chile, Costa Rica, Democratic People's Republic of Korea, Denmark, Ecuador, Ethiopia, Finland, Ghana, Greece, Hungary, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Jordan, Kuwait, Kyrgyzstan, Lebanon, Luxembourg, Morocco, Namibia, Nepal, Nicaragua, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Portugal, Republic of Korea, Romania, Saudi Arabia, Slovakia, Slovenia, Spain, Sudan, Switzerland, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, Venezuela, Yemen, Zimbabwe.

5. The United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization, the Arab Union for Cement and Building Materials and the Commission of the European Communities were represented.

6. The report of the resumed session of the Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

7. The report contains the conclusion reached by the Committee. Statements made in connection with the adoption of the conclusion are contained in annex I to the report. Annex II contains a list of documents submitted to the Committee at its resumed ninth session.

8. The conclusion adopted by the Committee as reported below was brought to the attention of the Board at its eleventh session.

I. PROGRAMME AND BUDGETS, 1994-1995

9. The Committee considered the revised proposals of the Director-General for the programme and budgets, 1994-1995 (IDB.11/2/Rev.1 and Add.1) and, after consideration of the draft conclusion on the programme and budgets, 1994-1995 contained in document IDB.11/2/Rev.1/Add.1, chapter III, the Committee adopted the following conclusion:

Conclusion 93/11

The Programme and Budget Committee:

(a) Considered the proposals of the Director-General for the programme of work, 1994-1995, and the corresponding total resource requirements by major programmes to be financed from the regular and operational budgets, as contained in document PBC.9/2-IDB.11/2 and revised in PBC.9/2/Rev.1-IDB.11/2/Rev.1 and Add.1;

(b) Noted that the exchange rate applied in those estimates was US\$ 1 = AS 12.90 for the regular and operational budgets and that those estimates would be adjusted in accordance with financial regulation 5.1, paragraph (d), prior to the end of the fifth session of the General Conference;

(c) Noted that the inflation rates would also be updated prior to the end of the fifth session of the General Conference;

(d) Recommended that the Industrial Development Board:

(i) Submit to the General Conference for consideration and approval the programme and budgets for 1994-1995 as contained in documents PBC.9/2-IDB.11/2 and revised in PBC.9/2/Rev.1-IDB.11/2/Rev.1 and Add.1;

(ii) Recommend to the General Conference the approval on the basis of an exchange rate of US\$ 1 = AS 12.90 of gross appropriations in the amount of \$229,905,200 for the regular budget of the Organization in 1994-1995 as reflected in the following table;

(iii) Recommend that the foregoing net appropriations be financed from payments of contributions by Member States under the provisions of financial regulation 5.5(e), amounting to \$196,924,600 at an exchange rate of US\$ 1 = AS 12.90 (\$23,630,900 plus the equivalent in US dollars of AS 2,235,488,730) in accordance with decisions to be adopted by the General Conference at its fifth session concerning the scale of assessments;

(iv) Recommend to the General Conference the approval of estimates of expenditure totalling \$35,222,400 at an exchange rate of US\$ 1 = AS 12.90 for the purpose of the operational budget for the biennium 1994-1995 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations.

	Gross appropriations	Estimated income	Net appropriations
(in United States dollars)			
Policy-making Organs, External Relations, Public Information, Language and Documentation Services	31,198,200	2,685,400	28,512,800
General Management	6,561,600	-	6,561,600
Programme and Project Development	36,519,900	-	36,519,900
Industrial Promotion, Consultations and Technology	21,722,600	-	21,722,600
Industrial Operations	36,505,500	-	36,505,500
Common Programmes	17,187,500	-	17,187,500
Vienna International Centre (VIC)-related Services	43,677,900	26,004,000	17,673,900
Administration	36,532,000	2,695,800	33,836,200
Miscellaneous Income	-	1,595,400	(1,595,400)
Total	229,905,200	32,980,600	196,924,600

Note: The amounts presented in the table are to be adjusted in accordance with the adjustment formula presented at the end of the present decision to take account of exchange rate variations during

Adjustment formula in US dollars

	US dollars	Austrian schillings
<u>Gross appropriations</u>		
Policy-making Organs, External Relations, Public Information, Language and Documentation Services	3,011,600	+ (363,607,100/R)
General Management	687,000	+ (75,782,500/R)
Programme and Project Development	4,238,300	+ (416,432,000/R)
Industrial Promotion, Consultations and Technology	3,163,300	+ (239,414,900/R)
Industrial Operations	3,951,700	+ (419,944,300/R)
Common Programmes	4,144,400	+ (168,255,530/R)
Vienna International Centre (VIC)-related Services	2,981,300	+ (524,985,900/R)
Administration	4,038,900	+ (419,161,500/R)
Subtotal - Gross appropriations	26,216,500	+ (2,627,583,730/R)
<u>Estimated income</u>		
Policy-making Organs, External Relations, Public Information, Language and Documentation Services	271,600	+ (31,138,100/R)
Vienna International Centre (VIC)-related Services	1,399,400	+ (317,399,200/R)
Administration	198,100	+ (32,220,500/R)
Miscellaneous	716,500	+ (11,337,200/R)
Subtotal - Estimated income	2,585,600	+ (392,095,000/R)
TOTAL NET APPROPRIATIONS	23,630,900	2,235,488,730

Note 1: The net appropriations shown above assume a ratio of 12 per cent in US dollars and 88 per cent in Austrian schillings at an exchange rate of US\$ 1 = AS 12.90.

Note 2: R represents the average United Nations exchange rate for Austrian schilling to US dollar which will be experienced during 1994-1995.

II. ADOPTION OF THE REPORT AND CLOSURE OF
THE NINTH SESSION

40. On 28 June at 3.45 p.m., the Committee closed its ninth session, having entrusted the Rapporteur with the preparation and finalization of the report of its resumed ninth session.

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains statements of principle delivered by delegations in connection with the adoption of conclusion 93/11 at the Programme and Budget Committee during its resumed ninth session. These statements have been included at the request of the delegations concerned and as agreed to by the Chairman.

2. The delegation of Austria, while commending the Secretariat on the preparation of document PBC.9/2/Rev.1/Add.1, was concerned that the list of countries with assessed contributions contained the name of Yugoslavia although at its ninth session the Programme and Budget Committee had adopted conclusion 93/2, in which it had recommended to the General Conference to approve the adjustments to the 1992-1993 scale of assessments as described in paragraphs 9 to 13 of the report on the financial situation of UNIDO (PBC.9/8). In paragraph 12 of that report it was stated that "If it is not to be assumed that the Federal Republic of Yugoslavia has succeeded to the membership in UNIDO of the former Socialist Federal Republic of Yugoslavia, there will be no assessment of Yugoslavia". Furthermore, at its first special session on 30 March this year, the General Conference of UNIDO had adopted a decision which (a) excluded Yugoslavia from participating in the work of all political organs of UNIDO, and (b) stated that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not continue automatically the membership of the former Yugoslavia. The delegation requested clarification from the Secretariat, as to why Yugoslavia had been listed under the countries with assessed contributions, thus ignoring the resolution of the General Conference as well as the conclusion of the Programme and Budget Committee. The Socialist Federal Republic of Yugoslavia had ceased to exist and it did not seem logical to assess financially a country that did not exist. Even under the

absurd assumption that the former Yugoslavia still existed, it seemed illogical to invite on the one hand a country to contribute to UNIDO's budget and to exclude it on the other hand from the participation in all organs and thus prevent it from deciding what was happening to its contribution. The delegation said that Yugoslavia should be deleted from the list of contributors paying assessed contributions to UNIDO. Should this, however, not be the case, it would like to emphasize once more that the inclusion of Yugoslavia in the list as one of UNIDO's contributors should in no way be a precedent for recognizing the Federal Republic of Yugoslavia as a successor State to the former Yugoslavia.

3. The delegation of the Russian Federation said that in relation to the statement of the representative of Austria, PBC conclusion 93/2, paragraph (e), referred to the adjustment of the scale of assessments for 1992-1993 and not to the 1994-1995 period which was the subject under consideration. In the view of that delegation, the Yugoslav question was not an issue to discuss at the present session; it merely deflected the attention of members of the Committee from the basic issues. The question of the exclusion of any particular country, including Yugoslavia, from the scale of assessments was the prerogative of the United Nations Committee on Contributions which operated within the framework of the United Nations General Assembly. The question was political in essence and should be examined by the General Assembly of the United Nations, as had been the case in the past and would continue to be in the future. Accordingly, the delegation proposed as the only acceptable course of action to leave this question for the consideration of the forthcoming General Conference of UNIDO, especially since by that time the question might be clarified.

Annex II

DOCUMENTS SUBMITTED TO THE RESUMED NINTH SESSION

PBC.9/2
IDB.11/2

Programme and budgets, 1994-1995. Proposals of the Director-General

PBC.9/2/Rev.1 and Add.1
IDB.11/2/Rev.1 and Add.1

Programme and budgets, 1994-1995. Revised proposals of the Director-General



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Eleventh session

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Item 17 of the provisional agenda

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS

Applications from non-governmental organizations for consultative status

Note by the Director-General

Summary

Provides information on the following three non-governmental organizations applying for consultative status with UNIDO: the International Academy of Engineering (IAE), the International Foundation for the Promotion of Privatization and Foreign Investments (FPI), and the Organization of Islamic Capitals and Cities (OICC).

1. In accordance with Article 19.1 (b) of the Constitution of UNIDO and the Guidelines for the Relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (decision GC.1/Dec.41), in particular paragraph 17 of the annex thereto, information on three international non-governmental organizations (NGOs) seeking consultative status with UNIDO is circulated to the members of the Board in the annex to the present document. More detailed information on each NGO is available with the Secretariat.

2. Paragraph 17 of the annex to the Guidelines stipulates that the Board shall establish appropriate procedures for reviewing applications from NGOs for consultative status. To facilitate and accelerate its work, the Board may wish to follow the practice established at previous sessions and request the Bureau of the Board to review the applications of, and information on, the three NGOs annexed to the present document and to submit its recommendations to the Board for consideration at its current session.



Annex

NON-GOVERNMENTAL ORGANIZATIONS APPLYING
FOR CONSULTATIVE STATUS

	Page	Relations with NGOs
THE INTERNATIONAL ACADEMY OF ENGINEERING (IAE)	2	Academies of engineering from the Commonwealth of Independent States and from other countries. See membership below.
THE INTERNATIONAL FOUNDATION FOR THE PROMOTION OF PRIVATIZATION AND FOREIGN INVESTMENTS (FPI)	2	<u>Documentation confirming international character of membership</u> Available.
THE ORGANIZATION OF ISLAMIC CAPITALS AND CITIES (OICC)	3	<u>Membership</u> Engineering academies from the Commonwealth of Independent States, as well as from Bulgaria, China, former Czechoslovakia, France, Georgia, Japan, Lithuania, Switzerland, Taiwan Province of China, United Kingdom of Great Britain and Northern Ireland, and United States of America.
The designations employed and the presentation of the material in the present document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.		<u>Address of headquarters</u> 11 Tverskaja Street 103905 Moscow Russian Federation Tel.: (095) 238 7010 Telefax: (095) 229 9164 or 291 4281
INTERNATIONAL ACADEMY OF ENGINEERING (IAE)		
<u>Historical background</u>		<u>Historical background</u> Established in March 1991 at Moscow, Russian Federation, for the purpose of promoting progress in science and technology and overall engineering activity; coordinates the activities, within the limits of its authority, of other engineering academies of the Commonwealth of Independent States.
<u>Statutes</u>		<u>Statutes</u> Available.
<u>Structure of governing bodies and administration</u>		<u>Structure of governing bodies and administration</u> General Conference Supervisory Council Board Auditing Commission
<u>Activities related to the work of UNIDO</u>		<u>Activities related to the work of UNIDO</u> (a) Assists in the preparation of pre-investment studies of important industrial projects of the Commonwealth of Independent States and promotes the attraction of foreign capital for their financing; (b) Foundation has established an investment promotion information service, "Project Investor Information System", with project data for dissemination to potential investors. This system is compatible with the Investment Promotion Information System (INPRIS) of UNIDO; (c) Major projects relate to oil processing/extracting equipment, chemical and petrochemical industries, wood processing, production of cellulose, building materials, power generating equipment, etc.

Relations with the United Nations and other IGOs

Currently establishing legal ties with United Nations organizations.

Relations with NGOs

The Union of Entrepreneurs and Industrialists of the Commonwealth of Independent States (CIS); the Unions of Producers of Chemical Products from Russia and other member States of CIS; and the Asian Investment Company.

Documentation confirming international character of membership

Available.

Membership

Enterprises, NGOs and individuals from the Commonwealth of Independent States, as well as from Austria, Canada, France, Germany, Italy, Saudi Arabia, Spain, Switzerland, Taiwan Province of China and the United States of America.

Address of headquarters and regional offices

Solianska Street 3 Tel.: (095) 924 6061
109028 Moscow Telefax: (095) 923 1411
Russian Federation

Prinz-Eugen-Strasse 32 Tel.: (431) 50240-0
1040 Vienna Telefax: (431) 504 3926
Austria Telex: 112213 nordex a

Kreuzplatz 2 Tel.: (01) 251 3400
8032 Zurich Telefax: (01) 251 3450
Switzerland Telex: 816577 ift ch

ORGANIZATION OF ISLAMIC CAPITALS AND CITIES (OICC)

Historical background

Statutes were issued in May 1979 by the Islamic Conference of Foreign Ministers of the Islamic Countries held at Fez, Morocco, and approved in January 1980 by the First General Conference of the Organization held at Makkah Al Mukarramak, Saudi Arabia.

Statutes

Available.

Structure of governing bodies and administration

General Conference: meets once every two years
Administrative Council
General Secretariat

Activities related to the work of UNIDO

(a) Industrial planning and the impact of small, medium and large industries on the environment in the context of urban planning and growth of member capitals and cities;

(b) The Islamic Capitals and Cities Cooperation Fund established by OICC finances services and projects requested by its member capitals and cities. The purpose of the Fund is to finance infrastructure projects including industry, as well as the maintenance, conservation and environmental activities of the cities.

Relations with the United Nations and other IGOs

Consultative status, category II, with the Economic and Social Council and consultative status with the United Nations Children's Fund.

Relations with NGOs

A member of the International Union of Local Authorities and the International Council for Local Environmental Initiatives.

The Organization participated in the NGO Global Forum of the United Nations Conference on Environment and Development and the Urban Forum, Rio de Janeiro, Brazil, June 1992.

Documentation confirming international character of membership

Available.

Membership

107 capitals and cities of the Islamic world.

Address of headquarters

P.O. Box 13621 Tel.: (662) 665 5896/
Jeddah 21414 665 6388
Saudi Arabia Telefax: (662) 665 7516



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ANNUAL REPORT OF UNIDO, 1992

System of Consultations: Consultations held in 1992 and plan for technical cooperation follow-up activities

Report by the Director-General

Summary

Submits for examination and approval of the Board the conclusions and recommendations of two Consultations held in 1992, on the petrochemical industry in the Arab countries and on the capital goods industry in Latin America. A plan of action for technical cooperation activities as follow-up to the two Consultations is provided in the annex.

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Introduction

1. The present document is submitted to the Board in accordance with General Conference resolution GC.3/Res.2 and specifically paragraph 7, which requests the Director-General to present to the Board the conclusions and recommendations of each Consultation for examination and approval together with a plan of technical cooperation follow-up activities for guidance.

I. CONSULTATIONS HELD IN 1992

2. Two Consultations were held in 1992: the Regional Consultation on the Petrochemical Industry in the Arab Countries (originally scheduled in the previous biennium but postponed) was held at Innsbruck, Austria, from 22 to 25 June; and the Regional Consultation on the Restructuring of the Capital Goods Industry in Latin America and the Caribbean, held from 9 to 12 November at Caracas, Venezuela. The reports of the Consultations are contained in documents ID/383 and ID/385, respectively. A brief summary of the two Consultations is given below.

Regional Consultation on the Petrochemical Industry in the Arab Countries

3. The Consultation was attended by 92 participants from 31 countries, with two thirds of the participants coming from public and private sector industries.

4. The Consultation agreed unanimously on the recommendations covering: cooperation, coordination and integration in the field of petrochemicals; marketing and market development; infrastructure development; impact of technological development; environment and safety aspects of the petrochemical industry.

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5. With respect to cooperation, coordination and integration in the field of petrochemicals, a review of national economic policies in the Arab countries was proposed in order to permit full integration of the petrochemical industry with the other economic sectors. In that context, due consideration should be given to the development of the upstream and downstream processing industries.

6. Recognizing the importance of marketing and market development in the industry, it was proposed to adopt effective marketing policies and strategies based on identified consumer needs, which should be regarded as an indispensable condition for market development for petrochemicals, covering products, prices, availability and quality, as well as product promotion and assistance in end-use.

7. With regard to infrastructure development, it was agreed that the physical infrastructure in many Arab countries in support of the petrochemical industry should be strengthened. However, in view of its importance for overall economic development, the cost associated with the maintenance and enhancement of such infrastructure development should not be borne by the petrochemical industry alone.

8. Acknowledging the importance of technological development, it was recommended that, in order to increase international competitiveness through quality assurance and productivity, Arab petrochemical manufacturers should develop a quality assurance system in their companies, strengthen process development capabilities, decrease costs through reducing waste, introduce preventive maintenance systems, enhance spare parts manufacturing and management, improve management procedures and practices, and upgrade managerial skills. It was made clear that these measures would also promote "Responsible Care" and protection of the environment.

9. Finally, on the issue of environment and safety aspects of the petrochemical industry, it was proposed that on the basis of accepted international standards, the Arab petrochemical industry should continue to give adequate consideration to solving problems of environmental protection and safety so as to avoid the adverse effects of pollutants on human health and on nature and property.

Regional Consultation on the Restructuring
of the Capital Goods Industry in
Latin America and the Caribbean

10. The Consultation was attended by 65 participants from 16 countries, as well as representatives of seven regional industrial and international organizations including the Latin American Economic System (SELA), National Council for the Development of the Capital Goods Industry, Andean Development Corporation (CAF), Centre for the Development of Industry (CDI) and Programa Bolívar. The recommendations call, *inter alia*, for a harmonized and coordinated effort from all the actors involved in the capital goods sector, i.e. Governments, industrial associations, research and development institutions, regional and international organizations and capital goods producers.

11. It was recommended that Governments should concentrate on providing the necessary infrastructural and policy support as a basis for the development of the sector. It was recognized, however, that the capital goods producers themselves must bear the main responsibility for improving their international competitiveness. Programmes in such areas as market intelligence, technical training, export promotion, identification of financial support mechanisms, identification of market niches in production of equipment for environmental protection were of major concern to the participants and were accordingly addressed by the Consultation.

12. It was further recommended that regional and international organizations such as CAF, the Economic Commission for Latin America and the Caribbean, UNIDO and SELA should concentrate their help and support to the sector by:

(a) Identifying a qualified methodology for providing a qualitative and quantitative analysis of the capital goods sector in Latin America and the Caribbean;

(b) Strengthening industrial associations and other professional bodies (chambers of commerce and engineering consultants) operating in the sector and encouraging the exchange of experiences;

(c) Providing information on sectoral policies applied by other industrial sectors in other regions.

13. The participants stressed the need to develop regional cooperation programmes for the capital goods industries in the Caribbean and Central America, bearing in mind the characteristics of each subregion. It was also agreed that CDI should play an active role in implementing this programme for the Caribbean countries.

14. The meeting recognized the urgent need to identify, create or promote, with the support of the development banks, new sources and mechanisms for mobilizing long-term financial resources and export guarantee mechanisms for the sale of capital goods and the modernization of the industry.

**II. PLAN OF ACTION FOR TECHNICAL
COOPERATION ACTIVITIES**

15. The UNIDO Advisory Committees for each of the two sectors covered by the Consultations have elaborated plans for follow-up action identifying the lead and supporting units responsible for the implementation of the recommendations. The plans appear in tabular form as an annex to the present document. They provide the context whereby UNIDO could enhance its technical and promotional activities on the basis of the conclusions and recommendations of the two Consultations.

III. ACTION REQUIRED OF THE BOARD

16. The Board is invited to examine and approve the conclusions and recommendations of the Consultations held during 1992 which are contained in documents ID/383 and ID/385, and to provide guidance on the plan of follow-up action contained in the annex to the present document.

Annex

PLAN OF FOLLOW-UP ACTION

		<u>Page</u>	<u>IO</u>	<u>Department of Industrial Operations</u>
Abbreviations				
Table 1	Regional Consultation on the Petrochemical Industry in the Arab Countries	4	IO/IIS/INFR	Institutional Infrastructure Branch
			IO/OS/IHRD	Industrial Human Resource Development Branch
Table 2	Regional Consultation on the Restructuring of the Capital Goods Industry in Latin America and the Caribbean	9	IO/T/CHEM	Chemical Industries Branch
			IO/T/ENG	Engineering Industries Branch
			IPCT	Department for Industrial Promotion, Consultations and Technology

Explanatory note

The main features of the recommendations as they appear in the reports of the Consultations (documents ID/383 and ID/385) have been summarized briefly in the left column of the tables. The main organizations responsible for the follow-up of the recommendations have been listed under the column "Addressed to". Those organizations having a supporting role in technical cooperation have also been indicated. In the last column, entitled "In-house responsibility", the units in the UNIDO Secretariat having main responsibility for initiation of activities have been designated. It is to be understood that the proposed programmes and projects would be carried out subject to availability of funds and, in the case of technical cooperation, receipt of an official request of the Government.

Abbreviations

APPE	Association of Petrochemicals Producers in Europe	OAPEC	Organization of Arab Petroleum Exporting Countries
CAF	Andean Development Corporation	OPEC Fund	Organization of the Petroleum Exporting Countries Fund for International Development
CDI	Centre for the Development of Industry	PPD	Department for Programme and Project Development
CONDIBIECA	National Council for the Development of the Capital Goods Industry	PPD/AREA	Area Programmes Division
EC	European Community	PPD/AREA/ARAB	Arab Countries Programme
ECLAC	Economic Commission for Latin America and the Caribbean	PPD/ICFM	Industrial Cooperation and Funds Mobilization Division
ESCWA	Economic and Social Commission for Western Asia	PPD/ICFM/COOP	Industrial Cooperation and Management Services Branch
GATT	General Agreement on Tariffs and Trade	PPD/IPP/REG	Regional and Country Studies Branch
GOIC	Gulf Organization for Industrial Consulting	PPD/SMA/ENV	Environment Coordination Unit
IIASA	International Institute for Applied Systems Analysis	SELA	Latin American Economic System
ILO	International Labour Organisation	UNCTAD	United Nations Conference on Trade and Development
		UNEP	United Nations Environment Programme

Table 1
REGIONAL CONSULTATION ON THE PETROCHEMICAL INDUSTRY IN THE ARAB COUNTRIES
(Innsbruck, Austria, 22-25 June 1992)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
<u>Cooperation, coordination and integration in the field of petrochemicals</u>			
Issue I: Cooperation, coordination and integration in the field of petrochemicals Issue II: Marketing and market development Issue III: Infrastructure development Issue IV: Impact of technological development on the petrochemical industry Issue V: Environmental protection and safety			
1. National economic policies in Arab countries should be reviewed to permit full integration of petrochemical industry with other economic sectors. In this context, due consideration should be given to development of the upstream and downstream processing industries	Governments of Arab countries	(a) Incorporation into the sectoral development policies of UNIDO (b) Message to be conveyed to the relevant government authorities in the Arab countries (c) Preparation of policy guidelines in the sector	Lead unit: Support unit: PPD/AREA/ARAB IPCT/CONSULT
2. The Arab countries should collect on a regional basis and periodically update information regarding existing capacity, present and potential product demand, sources of available technology, equipment and related items with the assistance of UNIDO upon the request of a Member State and other relevant entities	Governments, public/private enterprises, producer associations, chambers of industry and commerce, regional and interregional organizations including UNIDO	(a) To liaise with GOIC and OAPEC (b) Dissemination of UNIDO's database on petrochemicals to relevant bodies in the Arab region	Lead unit: Support unit: IPCT/TDP/INF IPCT/CONSULT
3. Partnership arrangements should be encouraged as the most practical means and mechanisms for cooperation, whether among Arab countries or producers or between them and partners from other regions. Such partnerships should pay due attention to mutual interests of parties concerned	Public/private sector enterprises in the petrochemical sector	Identification and formulation of concrete investment opportunities and projects in the petrochemical sector of Arab countries	Lead unit: Support unit: IPCT/II IPCT/CONSULT
4. When requested, UNIDO should assist the Arab countries in the formulation of their petrochemical industry policies to improve regional resource utilization, strengthen production and market complementarity and enhance inter-Arab and interregional trade in petrochemicals	UNIDO and other regional and international organizations	(a) Linked to recommendation No. 1 (b) Provision of relevant multi-client studies to Arab Governments and petrochemical industries	Lead units: Support unit: PPD/AREA/ARAB IPCT/II/FEAS IPCT/CONSULT

Table 1 (continued)

RECOMMENDATIONS	Main features	Addressed to	Action required	In-house responsibility
5.	Marketing and market development The adoption of effective marketing policies and strategies based on identified consumer needs should be regarded as an indispensable condition for market development for petrochemicals, covering products, prices, availability and quality, as well as product promotion and assistance in end use	Governments and petrochemical companies in the Arab countries	Message will be conveyed to UNCTAD, ITC, GCC and other relevant regional and international agencies and incorporated into UNIDO's sectoral policies	IPCT/CONSULT IO/T/CHEM
6.	Downstream processing industries should be established wherever viable to increase the use of petrochemicals in various sectors of activity, particularly construction, agriculture, clothing and health care, which offer large potential for domestic market development substantiated by detailed market studies	Public/private sector companies in Arab countries, development finance institutions, government agencies, international organizations including UNIDO	(a) Linked to recommendation No. 1 (b) Liaison with regional development finance institutions, e.g. Islamic Development Bank, OPEC Fund for International Development	IPCT/II IPCT/CONSULT
7.	With respect to international markets for basic and intermediate products, Arab petrochemical producers are encouraged to undertake strategic assessment of their overall trade policies, and on that basis enter into innovative and collaborative partnership arrangements	Petrochemical companies in Arab countries	(a) Liaison with producer associations, UNCTAD, ITC, GATT (b) Identification of innovative and collaborative partnership arrangements	IPCT/II PPD/IPP/REG PPD/ICFM/COOP IPCT/CONSULT
8.	The crucial role of market intelligence and information should be fully recognized in providing the basis of any effective marketing strategy. For this purpose the appropriate information networks on market-related parameters can render invaluable assistance	Companies, producer associations, e.g. UNCTAD ITC, GATT	Review of existing commercial and non-commercial information networks on market-related parameters	IPCT/TDP/INF IPCT/CONSULT PPD/IPP/REG
9.	At the request of countries concerned, UNIDO should provide assistance to enable Arab and other countries to exchange views and information, particularly on supply/demand balances in petrochemical industries	UNIDO	(a) Assistance/advice on request (b) Dissemination of information available in UNIDO's petrochemicals database	IPCT/TDP/INF IPCT/CONSULT IO/T/CHEM

Table 1 (continued)

RECOMMENDATIONS	Main features	Addressed to	Action required	In-house responsibility
	Infrastructure development			
10.	Physical infrastructure in many Arab countries in support of the petrochemical industry should be strengthened. However, in view of its importance for overall economic development the cost associated with maintenance and enhancement of such infrastructure development should not be borne by the petrochemical industry alone	Governments of Arab countries, development finance institutions	(a) Expansion of cooperation with the World Bank, Islamic Development Bank, etc. (b) Establishment of investment priorities in petrochemical infrastructure	Lead unit: Support unit: IPCT/II IPCT/CONSULT
11.	Effective measures should be taken to strengthen the proven capability in the Arab region for engineering design, plant construction and the manufacture of certain items of equipment and machinery	Governments, producers, technical centres, contractors, vocational training/universities, R and D institutions	(a) Assistance/advice on request (b) Preparation of proposals to strengthen technological capabilities in the Arab petrochemical industries	Lead units: Support unit: IO/T/CHEM IO/T/ENG PPD/AREA
12.	Due consideration should be given to the promotion and intensification of personnel training at all levels, within the framework of human resource development, for efficient operation, maintenance and safety of petrochemical plants	Companies, licensors, contractors, technical training centres, universities, R and D institutions, specialized international agencies including UNIDO and ILO	(a) Linked to recommendation No. 11 (b) Assessment of status of existing training centres and modalities for their strengthening	Lead units: Support units: IO/OS/THRO IO/T/ENG PPD/AREA IPCT/CONSULT
13.	Arab petrochemical enterprises should be encouraged to set up their own R and D facilities to supplement their cooperation with academic and technological institutes with a view to facilitating the absorption and improvement of imported technologies to suit local conditions	Arab petrochemical companies in cooperation with firms in industrialized countries and international agencies including UNIDO	Assessment of needs and preparation of technical cooperation proposals with a view to exploring technological options for the petrochemical industry and to facilitating local absorption of imported technologies	Lead unit: Support unit: PPD/AREA/ADAB IO/T/ENG
	Impact of technological development on the Petrochemical Industry			
14.	To increase international competitiveness through quality assurance and productivity, Arab petrochemical manufacturers should:	Companies in Arab countries with the assistance of their counterparts in industrialized countries and relevant international organizations including UNIDO	(a) Request the cooperation of the Association of Petrochemical Producers in Europe (APPE) (b) Preparation of guidelines for the introduction of quality assurance system in the petrochemical industries of Arab countries	Lead unit: Support units: IO/IS/INFR IPCT/CONSULT IO/T/CHEM
	(a) Develop a "Quality Assurance System" in their companies; (b) Strengthen process development capabilities; (c) Decrease costs through reducing waste;			Lead unit: Support unit: IO/T/CHEM IPCT/CONSULT

Table 1 (continued)

FOLLOW-UP ACTIVITIES

RECOMMENDATIONS

Main features

Addressed to

Action required

In-house responsibility

Lead unit:
Support unit:

(c) Identification of practical modalities for the incorporation of preventive maintenance systems in the operations of the chemical plants of the region

IO/OS/THRO
IPCT/CONSULT

(d) Introduce preventive maintenance systems and enhance spare parts manufacturing and management;

(e) Improve management procedures and practices;

(f) Upgrade managerial skills

15. These measures will also promote "Responsible Care" programme and protection of the environment

Environmental protection and safety

16. On the basis of accepted international standards, the Arab petrochemical industry should continue to give adequate consideration to solving problems of environmental protection and safety so as to avoid the adverse effects of pollutants on human health and damage to nature and property

Companies in the Arab countries in cooperation with international organizations e.g. UNIDO, UNEP, ESCWA, World Bank

(a) Assistance/advice on request
(b) Dissemination of assessed information and provision of technical services available at UNIDO

Lead unit:
Support unit:

PPD/SMA/ENV
IPCT/CONSULT

17. The Arab petrochemical industry should continue to stress its desire to enhance safety, both to prevent risks and to respond to accidents

Companies in the Arab countries in cooperation with international organizations e.g. UNIDO, UNEP, ESCWA, World Bank

Linked to recommendation No. 16 and cooperation through specialized training programmes

Lead unit:
Support unit:

IO/OS/THRO
IPCT/CONSULT

18. Petrochemical producers in Arab countries should avail themselves of new technologies to minimize or treat solid and liquid wastes and to abate pollution problems

Technology holders, licensees, petrochemical companies in the Arab countries, ESCWA

(a) Assistance/advice on request
(b) Identification of technological options and dissemination of relevant information

Lead unit:
Support unit:

IPCT/TDP/INF
IPCT/CONSULT

19. In order to counteract the inadequate legislation on standards with respect to the elimination of hazardous wastes and poisonous chemicals, in developing countries in general and in the Arab region in particular, international agencies are asked to assist these countries in the formulation and harmonization of recognized guidelines, norms and specifications for permissible emissions and by-product disposal

Specialized international agencies, e.g. ILO, UNIDO, UNEP, national and regional standards organizations, ISO etc.

(a) Linked to recommendations No. 16 and No. 17
(b) Review, prepare and promote environmental codes, standards and specifications at national and regional level

Lead unit:
Support unit:

PPD/SMA/ENV
IPCT/CONSULT

Table 1 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
		Action required	In-house responsibility
20. The problem of environmental pollution can often be traced back to the inefficient use of raw materials and energy in a petrochemical plant. This can be largely solved by the proper selection of process technologies and the efficient operation of the complexes by adequately trained personnel	Main features	Linked to recommendations Nos. 16, 17 and 18 and needs assessments for technical skills for operative personnel of chemical plants in the Arab countries	PPD/SMA/ENV 10/05/1980
21. In cooperation with UNEP and other relevant entities, UNIDO should elaborate a comprehensive responsible care programme in the development of the petrochemical industry, in the developing countries in general and in the Arab countries in particular		Liaise with UNEP to secure inputs for the development of specialized activities and programmes responding to the needs of the Gulf and other Arab countries	PPD/SMA/ENV IPCT/CONSULT
22. The petrochemical industry in the Arab countries should be encouraged to develop a comprehensive responsible care programme in the development of the petrochemical industry, in the developing countries in general and in the Arab countries in particular			
23. The petrochemical industry in the Arab countries should be encouraged to develop a comprehensive responsible care programme in the development of the petrochemical industry, in the developing countries in general and in the Arab countries in particular			
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29. The petrochemical industry in the Arab countries should be encouraged to develop a comprehensive responsible care programme in the development of the petrochemical industry, in the developing countries in general and in the Arab countries in particular			
30. The petrochemical industry in the Arab countries should be encouraged to develop a comprehensive responsible care programme in the development of the petrochemical industry, in the developing countries in general and in the Arab countries in particular			

Table 2

REGIONAL CONSULTATION ON THE RESTRUCTURING OF THE CAPITAL GOODS INDUSTRY IN LATIN AMERICA AND THE CARIBBEAN
(Caracas, Venezuela, 9-12 November 1992)

Issue 1: Measures to improve the international competitiveness of the capital goods industry in Latin America and the Caribbean region
 Issue 11: The role of the State, industrial associations and the private sector in the development of the capital goods industry in Latin America and the Caribbean

RECOMMENDATIONS			FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	Lead unit:	In-house responsibility
1. Establishment of adequate macro-economic conditions and necessary infrastructure to guarantee stable and competitive framework of action for the capital goods industry	Governments, industrial associations, regional and international organizations, i.e. SELA, UNIDO, ECLAC	Assist Governments and national industrial associations in enhancing capabilities and supporting the capital goods industry in areas such as: - export and investment promotion - matching of production and technology - technological innovation - technical human resources development	Lead unit: Support units:	PPD/AREA IPCT/CONSULT IPCT/TDP/INF IPCT/TDP/TAN IO/OS/IHRD PPD/EPP/REG
2. Strengthening the international competitiveness in selected market niches through the identification and promotion of regional complementarities among capital goods producers	International and regional organizations and regional industrial associations	Review and identification of areas of national comparative advantage and market niches	Lead unit: Support units:	PPD/EPP/REG IPCT/CONSULT PPD/AREA IO/IIS/INFR
3. Strengthening of industrial associations' capabilities for providing services to the capital goods industry in such areas as market intelligence, technical training in quality, design and standardization; international negotiations and regional network	International and regional organizations, Governments	Development of technical assistance programmes for strengthening industrial associations' capabilities in design, quality and technical training Organization of consultative meetings among industrial associations from developing and developed countries on structures and support activities to the industry	Lead unit: Support units:	IO/IIS/INFR IPCT/CONSULT IPCT/TDP/INF IPCT/TDP/TAN IO/OS/IHRD PPD/AREA IO/T/ENG
4. Dissemination of information on sectoral policies applied by other regions	International organizations, including UNIDO	Strengthening of industrial associations capabilities in providing support in the field of negotiations Assessment of information requirements on sectoral industrial policies	Lead unit: Support units:	IPCT/CONSULT IPCT/TDP/INF IO/IIS/INFR PPD/IPP/REG

Table 2 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
5. Assistance to capital goods producers in identifying new opportunities emerging from environmental protection programmes	International, i.e. UNIDO, UNEP, and regional organizations; regional and national industrial associations	Establishment of mechanisms for dissemination of new legislation and environmental standards Survey, review and dissemination of equipment required to meet new environmental regulations Development of regional or sub-regional programmes of technical cooperation to assist local capital goods producers to enhance their capabilities to produce environment-friendly equipment	Lead unit: PPD/SMA/ENV Support units: IPCT/CONSULT IPCT/TDP/INF IO/T/ENG Support units: IPCT/CONSULT IO/IIS/INFR IPCT/TDP/INF PPD/SMA/ENV PPD/AREA
6. Development of regional programmes to assist the capital goods industry in Central America and the Caribbean	UNIDO and international development bodies	Assessment of technical assistance requirements and design of programmes to assist the capital goods industry in Central America and the Caribbean Identification of sources for financing regional programmes for Central America and the Caribbean	Lead unit: IO/T/ENG Support units: IPCT/CONSULT IO/IIS/INFR PPD/IPP/REG Lead unit: PPD/ICFM Support units: IO/IIS/INFR IPCT/CONSULT PPD/AREA
7. Establishment of mechanisms for mobilizing new long-term financial resources and export guarantees instruments	UNIDO, SELA, regional and subregional industrial/financing institutions	In cooperation with development banks and other financial institutions identifying long-term funds for the technological modernization of the capital goods industry in the region Promote consultations among Governments/development banks and regional industrial associations on mechanisms for the establishment of effective export guarantees	Lead unit: PPD/AREA Support units: PPD/ICFM IPCT/CONSULT IPCT/TDP/INF IO/T/ENG IO/IIS/INFR PPD/IPP/REG
8. Promote the participation in future consultation meetings and regional activities of a broader spectrum of industrialists	Governments, regional and national industrial associations, international and regional organizations	Dissemination of conclusions and recommendations of Consultations and development of follow-up activities to be conducted by the different actors involved in the capital goods industry	Lead unit: IPCT/CONSULT Support unit: PPD/AREA



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Item 17 of the provisional agenda

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS

Information on intergovernmental organizations not in the United Nations system

Note by the Director-General

Summary

Provides information on three intergovernmental organizations (Economic Cooperation Organization (ECO), Islamic Educational, Scientific and Cultural Organization (ISESCO) and Latin American Integration Association (ALADI)), that have expressed the wish to enter into appropriate relationship agreements with UNIDO.

1. Article 19.1 (a) of the Constitution stipulates that the Director-General may, with the approval of the Board and subject to guidelines established by the General Conference, "enter into agreements establishing appropriate relationships with ... intergovernmental and governmental organizations". The Guidelines (decision GC.1/Dec.41, annex, paras. 8 and 9) stipulate that the Director-General shall circulate among the members of the Board information on intergovernmental and governmental organizations wishing to enter into agreements with UNIDO; upon approval of the Board, the Director-General shall conclude appropriate relationship agreements with the organizations concerned.

2. Information concerning the Economic Cooperation Organization (ECO), the Islamic Educational, Scientific and Cultural Organization (ISESCO)

and the Latin American Integration Association (ALADI), which have expressed the wish to enter into appropriate relationship agreements with UNIDO, is contained in the annex to the present document.

ACTION REQUIRED BY THE BOARD

3. The Board may wish to authorize the Director-General, in accordance with General Conference decision GC.1/Dec.41, annex, paragraph 9, to conclude appropriate relationship agreements with the Economic Cooperation Organization (ECO), the Islamic Educational, Scientific and Cultural Organization (ISESCO) and the Latin American Integration Association (ALADI) based on the information contained in the annex to the present document.

Annex

ECONOMIC COOPERATION ORGANIZATION (ECO)

Historical background

The Economic Cooperation Organization (ECO) is an intergovernmental regional organization that was established in 1985 by the Governments of the Islamic Republic of Iran, Pakistan and Turkey for the purpose of providing economic, technical and cultural cooperation among themselves.

ECO is the successor of the Regional Cooperation for Development (RCD) (1964-1979). The Organization was restructured and revived under its present name. Accordingly, the basic document of the Organization, the Treaty of Izmir of 1977, was amended at a ministerial level meeting held at Islamabad in June 1990. The Amended Treaty of Izmir was subsequently ratified by the founding members, with the organization being fully operational in its revitalized form in early 1991.

Purpose

The objectives of the Organization, stipulated in the Treaty of Izmir, include expansion of mutual trade, industrialization, promotion of conditions for sustained economic growth in the region and consolidation of cultural and spiritual affinities.

Cooperation with UNIDO

(a) Exchange of documentation and information;

(b) Attendance at relevant meetings;

(c) Participation/assistance in feasibility studies on industrial projects in the ECO region;

(d) Establishment of a data bank for information relating to industrial statistics, privatization, list of enterprises/engineering consultants, contractors and R and D centres in ECO countries;

(e) Establishment of standardization and a quality assurance system in ECO countries;

(f) Benefiting from the UNIDO System of Consultations.

Structure

Ministerial Council
Regional Planning Council
Council of Deputies
Technical committees

Membership

The Islamic Republic of Iran, Pakistan and Turkey are founding members of ECO. In February 1992 ECO admitted five new members, namely Azerbaijan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

Relationship with other intergovernmental organizations

United Nations Conference on Trade and Development

United Nations Economic and Social Council

Food and Agriculture Organization of the United Nations

Address of Headquarters

5 Hejab Avenue, Tehran
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Telex: 213774 ECO IR
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P.O. Box: 14155-6176

Head of Organization

H. E. Mr. Shamshad Ahmad
Secretary-General

ISLAMIC EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION (ISESCO)

Historical background

Established in May 1982 at Fez, Morocco, following adoption of the statute by the eleventh Islamic Conference of Foreign Ministers, meeting at Islamabad, Pakistan, in May 1980.

Purpose

Strengthening cooperation among Member States in the fields of education, science and culture, promoting the development of applied sciences and the use of advanced technology.

Structure

General Conference
Executive Council
General Directorate

Membership

Azerbaijan, Bahrain, Bangladesh, Benin, Brunei Darussalam, Burkina Faso, Chad, Comoros, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Indonesia, Iran, Iraq, Jordan, Kuwait, Libyan Arab Jamahiriya, Malaysia, Maldives, Mali, Mauritania, Morocco, Niger, Oman, Palestine, Pakistan, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen.

Activities

(a) Exchange of documentation and information;

(b) Joint technical cooperation programmes/projects, particularly in the field of training;

(c) Attendance at relevant meetings.

Relations with other intergovernmental organizations

Agency for Cultural and Technical Cooperation

Arab League Educational, Cultural and Scientific Organization

Centre for the Bantu Civilizations

Islamic Development Bank

Standing Committee for Scientific and Technological Cooperation

United Nations Educational, Scientific and Cultural Organization

World Health Organization

World Intellectual Property Organization

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Telex: 32645/31844 M
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Head of Organization

Dr. Abdulaziz Othman Altwaijri
Director-General

LATIN AMERICAN INTEGRATION ASSOCIATION
(ALADI)

Historical background

Established on 12 August 1980 at Montevideo, Uruguay, when the charter of the Latin American Integration Association was signed by the Ministers of Foreign Affairs of 11 independent Latin American States, replacing the Latin American Free Trade Association (LAFTA) established by the 1960 Montevideo Treaty.

Purpose

Pursuing the integration process leading to the promotion of the harmonious and balanced socio-economic development of the region towards the gradual and progressive establishment of a Latin American Common Market; facilitating cooperation in: promotion and regulation of reciprocal trade, economic complementation, and development of economic cooperation action encouraging market expansion; establishing an area of economic preferences comprising: a regional tariff preference, regional scope agreements and partial scope agreements; and promoting cooperation with other areas of economic integration.

Structure

Council of Ministers of Foreign Affairs
Evaluation and Convergence Conference
Committee of Representatives
General Secretariat

Membership

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela.

Observer countries

Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Honduras, Italy, Nicaragua, Panama, Portugal, Spain, Switzerland.

Activities

(a) Carries out studies and exchanges of documentation and information;

(b) Promotes joint technical cooperation programmes/project;

(c) Attends relevant meetings.

Relations with other intergovernmental and governmental organizations

Organization of American States

Economic Community

Interamerican Development Bank

United Nations Development Programme

Economic Commission for Latin America and the Caribbean

Latin American Economic System

Food and Agriculture Organization of the United Nations

Permanent Secretariat of the General Treaty on Central American Economic Integration

United Nations Conference on Trade and Development

General Agreement on Tariffs and Trade

World Intellectual Property Organization

Latin American Energy Organization

Relations with international non-governmental organizations

Grupo Empresarial Industrial Centro Oeste Sudamericano

Latin American Iron and Steel Institute

Latin American Association of Food Processors

Latin American Industrialist Association

Latin American Shipowners Association

Latin American Federation of Consulting Engineers

Latin American Federation of the Pharmaceutical Industry

Italian-Latin American Institute

International Maritime Organization

Mutual Assistance of the Latin American Government Oil Companies

Commission of Regional Electrical Integration

Latin American Association of Electrical and Electronic Industries

Address of Headquarters

Cebollati 1461
Montevideo, Uruguay

Tel.: (00 5892) 40 33 63
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Head of Organization

Mr. Antonio José de Cerqueira Antunes
Secretary-General

Mr. Juan Francisco Rojas,
Deputy

Mr. Isaac Maidana,
Deputy

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Mr. Carlos Juan de la Cruz
Mr. Juan de la Cruz
Mr. Juan de la Cruz
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United Nations Industrial Development Organization

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Industrial Development Board

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Vienna, 28 June - 2 July 1993
Item 9 of the provisional agenda

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS

Report by the Director-General

Summary

Reports on changes in procedures for development and appraisal of special trust fund projects, as requested by the Board.

1. In its decision IDB.10/Dec.14, the Industrial Development Board requested the Director-General, inter alia, to ensure the consistent application of Conference resolution GC.4/Res.28, Conference decision GC.4/Dec.11 and Board decision IDB.9/Dec.7, as well as to make the necessary changes in the Director-General's bulletin UNIDO/DG/B.73/Rev.1. It further requested the revision of document IDB.10/15 and the proposed additions to the guidelines for special trust fund projects. It also stipulated that only those trust fund projects that are compatible with the above resolution and decisions should be formulated and implemented. The contents of the present document are to be seen as a substantive revision to document IDB.10/15.

2. Board decision IDB.10/Dec.14 stems from the wish of Member States to ensure high quality of UNIDO activities and the need for adherence to advice provided through the appraisal process. As those concerns relate to some of the formulations in bulletin UNIDO/DG/B.73/Rev.1 and the presentation of appraisal statistics on trust fund projects, the Director-General has further amended UNIDO/DG/B.73/Rev.1 in order to ensure strict compliance with the decisions and resolutions of the Conference and the Board.

3. Director-General's bulletin UNIDO/DG/B.73/Rev.1 is being amended as follows:

(a) Paragraph 6, line 1 - The word "inform" has been deleted and the words "consult and coordinate with" inserted and in the second line "of" has been replaced by "on".

(b) Paragraph 7, line 2 - The words "if necessary" have been deleted in order to comply with Conference decision GC.4/Dec.11, paragraphs (d) and (e).

(c) Paragraph 9, line 1 - The words "with a value of more than 200,000 United States dollars" have been deleted, thus ensuring that all trust fund projects are subjected to the appraisal process and in compliance with Board decision IDB.9/Dec.7, paragraph (k)(viii).

4. As indicated in paragraph 7 of resolution GC.4/Res.28, all special trust fund projects are to be approved by the Director-General. Since all such projects are now covered by the appraisal process in addition to being subject to clearance by the Legal Office and by Financial Services, the delegation of approval authority currently established in paragraph 17 of bulletin UNIDO/DG/B.73/Rev.1 could be maintained, it being understood that such delegation is exercised under the overall authority and responsibility of the Director-General. It should be noted, however, that the existing approval procedures are currently being reviewed and that the outcome of this review may lead to revised administrative instructions.

5. The need for adapting appraisal tools for most self-financed trust fund projects was underscored in paragraph 5 of document IDB.10/15. The reasons were explained by the Secretariat's reply during the tenth session of the Board (IDB.10/SR.4, para. 3). Work relating to adaptation of appraisal tools will commence through internal redeployment of resources, hence no

additional resources are being requested. It should be added that adaptation of appraisal tools does not mean that the quality criteria defined in the annex to document GC.4/28 are being amended or revised.

6. During the period July 1992 to 28 February 1993, 12 special trust fund projects were submitted for appraisal (four self-financed and eight third-party financed). Three projects (one self-financed and two third-party financed) were withdrawn and of the remaining nine projects appraisal memoranda were issued for eight and written observations were submitted for one project. Of those nine projects, six were approved (three self-financed and three third-party financed), all of which satisfied

quality standards. Of the three projects (all third-party financed) not approved, one did not meet quality standards and for the remaining two projects existing appraisal criteria could not be fully applied.

ACTION REQUIRED BY THE BOARD

7. In light of the information contained in the present document the Board may wish to consider recommending to the General Conference the approval of the additions to the guidelines proposed in paragraphs 11 (a) and (b) of document IDB.10/15 in the context of the amendments to bulletin UNIDO/DG/B.73/Rev.1.